

TO: Critical Access Hospital (CAH) Administrators

FROM: Jill Caldwell, Certification Bureau Chief

RE: CMS Memo #08-16; Provision of Observation Services

DATE: July 28, 2008

As you know, earlier this spring CMS released a Survey and Certification (S&C) memo describing its revised position on observation beds in CAHs. The Certification Bureau believes the S&C is self explanatory, but to summarize the changes, we are providing this memo.

A CAH may maintain beds used solely for outpatient observation services without counting these beds toward the statutory CAH maximum of 25 inpatient beds. The beds can be of any type (e.g. gurney, full hospital bed, etc.). The CAH is not limited to a specific number of observation beds. A patient in an observation bed must be receiving observation services which includes documentation of the same. Observation services begin and end with an order by a physician or other qualified practitioner in the CAH. The Certification Bureau surveyors will examine CAH provision of outpatient observation services carefully to assure they are consistent with the statutory limits imposed upon the CAH for number and average length of stay for inpatient services.

The complete S&C and revisions to the State Operations Manual can be found at:  
<http://www.cms.hhs.gov/SurveyCertificationGenInfo/PMSR/itemdetail.asp?filterType=none&filterByDID=0&sortByDID=3&sortOrder=descending&itemID=CMS1209504&intNumPerPage=1>

If you have any questions, please do not hesitate to contact me at 406-444-2038. I'll be happy to discuss this or any other Certification issue with you.